

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made, executed and entered into on this 22nd day of APRIL, 2004, by and among the STATE OF NEBRASKA, acting by and through the Governor's Policy Research Office ("GPRO"), the NEBRASKA PUBLIC SERVICE COMMISSION ("Commission"), an agency of the State of Nebraska, and KINDER MORGAN, INC. ("Kinder Morgan"), a Kansas corporation.

RECITALS

1. In 1987, the Nebraska Legislature adopted the Municipal Natural Gas Regulation Act ("MNGRA"). In 2003, the MNGRA was replaced by the State Natural Gas Regulation Act ("Natural Gas Act"), Neb. Rev. Stat. §§ 66-1801, et seq. (2003 Supp.).
2. Between February 9, 1999, and May 10, 1999, the municipalities identified on Exhibit "A" hereto (the "Initiating Municipalities") adopted resolutions to initiate a review of the rate surcharge that stemmed from Kinder Morgan's P-0802 natural gas supply contract ("P-0802 Contract").
3. Sixteen of the Initiating Municipalities, acting through rate area chairpersons, were listed expressly on loan fund applications as seeking funding for their review of the P-0802 Contract from the Municipal Natural Gas Regulation Revolving Loan Fund established under the MNGRA and administered by the GPRO (hereafter, the "GPRO Loan Fund"). Gurley and Sargent also joined in eventually.
4. Following a series of municipal hearings, the Initiating Municipalities, with the exception of Broadwater and North Loup, adopted ordinances prohibiting Kinder Morgan from including in its rates or charges the above-market costs associated with the P-0802 Contract, and Kinder Morgan thereafter initiated litigation to enjoin the rate ordinances in the District Court of Lancaster County, Nebraska (hereafter, the "P-0802 Litigation").
5. In an order dated January 5, 2001, Judge Paul Merritt of the Lancaster County District Court enjoined the rate ordinances of the Initiating Municipalities in Kinder Morgan's Rate Area 7, based on violation of the statute of limitations contained in Section 19-4618 of the MNGRA. On August 3, 2001, Judge Merritt ruled in favor of Kinder Morgan and enjoined the rate ordinances of the remaining Initiating Municipalities. Both of Judge Merritt's decisions were appealed by the Initiating Municipalities, and both decisions were affirmed by the Supreme Court of Nebraska.
6. During the course of the P-0802 Contract review and the P-0802 Litigation, the GPRO disbursed from the GPRO Loan Fund to attorneys and expert witnesses representing the Initiating Municipalities a sum totaling approximately Seven Hundred Eighty-Five Thousand Six Hundred Ninety-Two Dollars (\$785,692). These disbursements were made based upon payment applications made to the GPRO by representatives of the Initiating Municipalities.

7. The GPRO has filed two (2) actions against Kinder Morgan in the Lancaster County District Court Morgan seeking to recover the approximately \$785,692 disbursed from the GPRO Loan Fund (together, the "GPRO Litigation"). Kinder Morgan has defended the GPRO Litigation, contending that it is not obligated to reimburse the GPRO for the payments made from the GPRO Loan Fund.

8. Representatives of the GPRO, Commission, and Kinder Morgan have met to negotiate a resolution of the GPRO Litigation and desire to settle that matter upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

ARTICLE I

INCORPORATION OF RECITALS AND DEFINITIONS

1. Incorporation of Recitals. The Recitals set forth above are incorporated herein by this reference.
2. Definitions. All capitalized terms used in this Agreement and not otherwise defined shall have the following meanings:
 - a. "Agreement" means this Settlement Agreement.
 - b. "Effective Date" shall have the meaning ascribed to it in Article II, Section 2 of this Agreement.
 - c. "Conditions Precedent" shall have the meaning ascribed to it in Article II, Section 1 of this Agreement.
 - d. "Commission Loan Fund" shall mean the Municipal Rate Negotiations Revolving Loan Fund established pursuant to Section 66-1839 of the Natural Gas Act.
 - e. "Recoverable P-0802 Expenses" shall mean One Million One Hundred Seventy-Five Thousand Dollars (\$1,175,000.00) of the fees and expenses incurred and paid by Kinder Morgan, inclusive of associated carrying costs, in connection with the P-0802 Litigation and the GPRO Litigation, which sum shall be recoverable by Kinder Morgan as provided in Article IV of this Agreement.
 - f. "Service Providers" shall mean the persons and entities identified in Exhibit "B" hereto.

g. "Tariff Sheets" shall mean the Tariff Sheets attached to this Agreement as Exhibit "C" which shall be incorporated into and become an enforceable part of Kinder Morgan's published tariff on file with the Commission, upon approval of this Agreement and the Tariff Sheets by the Commission.

ARTICLE II

CONDITIONS PRECEDENT AND EFFECTIVE DATE

1. The obligation of the parties to perform under this Agreement is conditioned upon the occurrence of all of the following Conditions Precedent:

a. Approval by the Commission, without modification, of this Agreement and the Tariff Sheets, as described in Article IV, Section 4;

b. The issuance of an order by the Lancaster County District Court, pursuant to a stipulation or motion to be submitted to the Court by the parties to the GPRO Litigation, dismissing the GPRO Litigation, with prejudice, with each party to bear its respective costs; and

c. Delivery to the parties of executed releases, in a form acceptable to Kinder Morgan, from each of the Service Providers.

d. Execution of a mutual release, in the form of Exhibit "D" attached hereto, among the GPRO, Commission and Kinder Morgan.

2. The Effective Date of this Agreement shall be the date that the last of the Conditions Precedent has been fulfilled.

ARTICLE III

REIMBURSEMENT OF STATE FUNDS

Within five (5) business days after the Effective Date, Kinder Morgan shall pay to the State of Nebraska the sum of Five Hundred Ninety Thousand Dollars (\$590,000.00) ("Reimbursement Amount"), of which Three Hundred Seventy Thousand Dollars (\$370,000.00) shall be applied by the State of Nebraska to reimburse the State's Cash Reserve Fund and of which Two Hundred Twenty Thousand Dollars (\$220,000.00) shall be provided to the Commission and deposited in the Commission Loan Fund, a portion of which shall be available for the State of Nebraska to resolve any claims for reimbursement from Service Providers and to obtain the releases described in Article II, Section 1.c. Kinder Morgan shall be entitled to recover the Reimbursement Amount as provided in Article IV hereof.

ARTICLE IV

RECOVERY OF REIMBURSEMENT AMOUNT AND RECOVERABLE P-0802 EXPENSES

1. The GPRO and Commission acknowledge and agree that Kinder Morgan acted in good faith in resisting the payments demanded by the GPRO and defending the GPRO Litigation.

2. Subject to the requirements of Article IV, Section 3, Kinder Morgan shall be entitled to recover the Reimbursement Amount and the Recoverable P-0802 Expenses as provided in Section 4 of this Article IV.

3.

(a) Within seven (7) days of the execution of this Agreement, Kinder Morgan shall produce for Commission's inspection, at Kinder Morgan's headquarters in Lakewood, Colorado, invoices from attorneys, paralegals, law firms, consultants, expert witnesses and others that have been paid by Kinder Morgan in connection with the P-0802 Litigation and the GPRO Litigation. The Commission shall be entitled to review these invoices to verify that the Recoverable P-0802 Expenses total at least One Million One Hundred Seventy-Five Thousand Dollars (\$1,175,000.00), as defined in Article I, Section 2.e. hereof.

(b) If the Commission finds sufficient support to conclude that the Recoverable P-0802 Expenses totaled at least \$1,175,000, then the Commission shall verify the Recoverable P-0802 Expenses of \$1,175,000. The Commission shall provide its verification to all parties in the form of Exhibit "E" hereto. This verification shall be completed within forty-five (45) days following the execution of this Agreement, or the requirements of this Article IV, Section 3 shall be deemed to have been waived by the Commission and GPRO.

4. The filing of this Agreement with the Commission shall constitute a filing by Kinder Morgan to recover the Reimbursement Amount and the Recoverable P-0802 Expenses, as provided herein, and the Commission immediately shall open a docket for that purpose. Upon completion of the verification pursuant to Section 3(b) of this Article IV, the Commission shall issue an order approving the following: (a) the recovery by Kinder Morgan of the Reimbursement Amount and the Recoverable P-0802 Expenses through a charge of Two Dollars (\$2.00) per month per customer charged by Kinder Morgan to each of its residential and commercial customers located within the municipal boundaries of each of the Initiating Municipalities, for a period of fifty-seven (57) months, except for Broadwater and North Loup; and to each of its residential and commercial customers located within the municipal boundaries of Broadwater and North Loup for a period of twenty (20) months ("Recovery Period"), all as set forth in the Tariff Sheets; (b) the Tariff Sheets, which upon such approval shall be incorporated into and become an enforceable part of Kinder Morgan's published tariff pursuant to the Natural Gas Act; and (c) this Agreement. Following such approval, and during the Recovery Period, neither the Commission nor the GPRO shall take any action or allow any action to be taken (other than by Kinder Morgan), including changes to Kinder Morgan's Tariff's Sheets, that

would impair recovery by Kinder Morgan of the Reimbursement Amount and the Recoverable P-0802 Expenses, as provided in this Agreement.

ARTICLE V

ADDITIONAL TERMS

1. Survival. Subject to any limitations elsewhere set forth herein, all representations, warranties and agreements of the parties contained in (or incorporated by) this Agreement shall survive the Effective Date of this Agreement.
2. Execution. The parties agree to execute all documents and to do all other acts and things necessary for the implementation and consummation of this Agreement, both before and after the Effective Date.
3. Notice. Any notice, demand or other communication required or permitted by this Agreement shall be given in writing and shall be deemed to have been given and received in all respects when personally delivered, when sent via prepaid overnight courier, when sent by facsimile transmission with confirmation of completion of the transmission, or three (3) days after deposited in the United States mail, certified mail, postage prepaid, return receipt requested, in each case addressed to the respective parties at their addresses (or facsimile numbers) set forth below; provided, however, that notice of change in address shall be effective only upon receipt of written notice thereof.

IF TO STATE OF NEBRASKA:

Lauren L. Hill, Director
Governor's Policy Research Office
1319 State Capitol
Lincoln NE 68509
Telephone: (402) 471-2414
Fax: (402) 471-2528

With copy to:

Mark Starr, Assistant Attorney General
Office of the Nebraska Attorney General
2115 State Capitol
Lincoln NE 68509
Telephone: (402) 471-3828
Fax: (402) 471-3835

IF TO NEBRASKA PUBLIC SERVICE COMMISSION:

Andy S. Pollock, Executive Director
Nebraska Public Service Commission
1200 "N" Street, No. 300
Lincoln NE 68508
Telephone: (402) 471-0211
Fax: (402) 471-0233

With copy to:

Laura K. Demman, Director
Natural Gas Department
Nebraska Public Service Commission
1200 "N" Street, No. 300
Lincoln NE 68508
Telephone: (402) 471-0255
Fax: (402) 471-0254

IF TO KINDER MORGAN, INC.:

Bud J. Becker
Assistant General Counsel
P.O. Box 281304
Lakewood, Colorado 80127
Telephone: (303) 763-3496
Fax: (303) 763-3115

With copy to:

Stephen M. Bruckner
Fraser, Stryker, Meusey, Olson, Boyer & Block, P.C.
500 Energy Plaza
409 South 17th Street
Omaha, NE 68102-2663
Telephone: (402) 341-6000
Fax: (402) 341-8290

4. Counterparts. This Agreement together with all other instruments to be executed in connection herewith may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

5. Facsimile Signature. The parties agree that for purposes of executing this Agreement and any other instruments to be executed in connection herewith, a facsimile signature shall be deemed as effective as an actual signature.

6. Construction. Words and phrases shall be construed as in the singular or plural number, and as masculine, feminine or neuter gender, according to the definitions and the context.

7. Entire Agreement. This Agreement, including all exhibits attached hereto, constitutes the entire agreement among the parties and supersedes any and all prior agreements among them relating to the subject matter hereof, and may not be amended except in a writing signed by the parties to be bound.

8. Binding. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

9. Choice of Law. This Agreement shall be construed and enforced in accordance with the law of the State of Nebraska, without regard to its conflicts of laws provisions.

IN WITNESS WHEREOF, the parties hereto have caused this Settlement Agreement to be executed all on or as of the day and year first above written.

STATE OF NEBRASKA, acting by and through
The Governor's Policy Research Office

By: Lauren L. Hill
Its: Secretary

NEBRASKA PUBLIC SERVICE COMMISSION

By: And S. Piller
Its: Executive Director

KINDER MORGAN, INC.

By: [Signature]
Its: President, Retail *ad*

W349960.2

EXHIBIT "A"

Rate Area 2

Alliance
Oshkosh
Broadwater

Rate Area 3

Chadron
Gordon
Hemingford

Rate Area 4

Chappell
Gurley
Kimball
Sidney

Rate Area 7

Ansley
Broken Bow
Burwell
Loup City
Ord
Ravenna
Sargent
North Loup

EXHIBIT "B"

William Demarest

Foster Associates, Inc. and William Foster

David Hecker

Shook, Hardy & Bacon, LLP

Woods & Aitken, LLP

EXHIBIT "C"

SCHEDULE OF RATES AND OTHER CHARGES

Rate Schedules CGS and ACGS-NSS

Rate Area 2

<u>Type of Charge</u>	<u>Non-Gas Base Rate Component</u>	<u>Gas Cost</u>		<u>Total Gas Cost</u>	<u>Total Rate</u>
		<u>Base Rate Component</u>	<u>Surcharge Rate Component</u>		
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge					
Customer Charge 1/ 3/	5.000000				5.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.255845	0.000000	0.063584	0.063584	0.319429
Next 40	0.230845	0.000000	0.063584	0.063584	0.294429
Next 450	0.081457	0.000000	0.063584	0.063584	0.145041
Over 500	0.056457	0.000000	0.063584	0.063584	0.120041

COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge

Customer Charge 1/ 3/	6.000000				6.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.415263	0.000000	0.063584	0.063584	0.478847
Next 40	0.390263	0.000000	0.063584	0.063584	0.453847
Next 450	0.081457	0.000000	0.063584	0.063584	0.145041
Over 500	0.056457	0.000000	0.063584	0.063584	0.120041

1/ Customer Charge is \$/month.

2/ Distribution and Commodity Charges are \$/Per Therm.

3/ The above Customer Charge applies to residential and commercial customers (customers) located within the corporate boundaries of Alliance, Oshkosh and Broadwater and includes a \$2.00 Litigation Cost component for a period of 57 months for Alliance and Oshkosh customers and 20 months for Broadwater customers from commencement of billing of the stated Customer Charge. For all other customers located within Rate Area 2 and for customers in Alliance, Oshkosh and Broadwater after the expiration of the billing

period(s) for the Litigation Cost component stated in the preceding sentence, the applicable Customer Charge shall be \$3.00 for Residential Service and \$4.00 for Commercial Service.

EXHIBIT "C" (Continued)

SCHEDULE OF RATES AND OTHER CHARGES

Rate Schedules CGS and ACGS-NSS

Rate Area 3

<u>Type of Charge</u>	<u>Non-Gas Base Rate Component</u>	<u>Gas Cost</u>		<u>Total Gas Cost</u>	<u>Total Rate</u>
		<u>Base Rate Component</u>	<u>Surcharge Rate Component</u>		
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge					
Customer Charge 1/ 3/	5.000000				5.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.274783	0.000000	0.063584	0.063584	0.338367
Next 40	0.249783	0.000000	0.063584	0.063584	0.313367
Next 450	0.092986	0.000000	0.063584	0.063584	0.156570
Over 500	0.067986	0.000000	0.063584	0.063584	0.131570

COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge

Customer Charge 1/ 3/	6.000000				6.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.438900	0.000000	0.063584	0.063584	0.502484
Next 40	0.413900	0.000000	0.063584	0.063584	0.477484
Next 450	0.092986	0.000000	0.063584	0.063584	0.156570
Over 500	0.067986	0.000000	0.063584	0.063584	0.131570

- 1/ Customer Charge is \$/month.
- 2/ Distribution and Commodity Charges are \$/Per Therm.
- 3/ The above Customer Charge applies to residential and commercial customers (customers) located within the corporate boundaries of Chadron, Gordon, and Hemingford and includes a \$2.00 Litigation Cost component for a period of 57 months from commencement of billing of the stated Customer Charge. For all other customers located within Rate Area 3 and for customers in Chadron, Gordon, and Hemingford after the expiration of the billing period(s) for the Litigation Cost component stated in the

preceding sentence, the applicable Customer Charge shall be \$3.00 for Residential Service and \$4.00 for Commercial Service.

EXHIBIT "C" (Continued)

SCHEDULE OF RATES AND OTHER CHARGES

Rate Schedules CGS and ACGS-NSS

Rate Area 4

<u>Type of Charge</u>	<u>Non-Gas Base Rate Component</u>	<u>Base Rate Component</u>	<u>Gas Cost</u>		<u>Total Rate</u>
			<u>Surcharge Rate Component</u>	<u>Total Gas Cost</u>	
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge					
Customer Charge 1/ 3/	5.000000				5.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.248437	0.000000	0.063584	0.063584	0.312021
Next 40	0.223437	0.000000	0.063584	0.063584	0.287021
Next 450	0.074922	0.000000	0.063584	0.063584	0.138506
Over 500	0.049922	0.000000	0.063584	0.063584	0.113506
COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge					
Customer Charge 1/ 3/	6.000000				6.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.411245	0.000000	0.063584	0.063584	0.474829
Next 40	0.386245	0.000000	0.063584	0.063584	0.449829
Next 450	0.074922	0.000000	0.063584	0.063584	0.138506
Over 500	0.049922	0.000000	0.063584	0.063584	0.113506

- 1/ Customer Charge is \$/month.
2/ Distribution and Commodity Charges are \$/Per Therm.
3/ The above Customer Charge applies to residential and commercial customers (customers) located within the corporate boundaries of Chappell, Gurley, Kimball, and Sidney and includes a \$2.00 Litigation Cost component for a period of 57 months from commencement of billing of the stated Customer Charge. For all other customers located within Rate Area 4 and for customers in Chappell, Gurley, Kimball, and Sidney after the expiration of the billing period(s) for the Litigation Cost component stated in the

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preceding sentence, the applicable Customer Charge shall be \$3.00 for Residential Service and \$4.00 for Commercial Service.

EXHIBIT "C" (Continued)

SCHEDULE OF RATES AND OTHER CHARGES

Rate Schedules CGS and ACGS-NSS

Rate Area 7

<u>Type of Charge</u>	<u>Non-Gas Base Rate Component</u>	<u>Gas Cost</u>		<u>Total Gas Cost</u>	<u>Total Rate</u>
		<u>Base Rate Component</u>	<u>Surcharge Rate Component</u>		
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge					
Customer Charge 1/ 3/	7.000000				7.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.198511	0.000000	0.063584	0.063584	0.262095
Next 40	0.173511	0.000000	0.063584	0.063584	0.237095
Next 450	0.072100	0.000000	0.063584	0.063584	0.135684
Over 500	0.047100	0.000000	0.063584	0.063584	0.110684

COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge

Customer Charge 1/ 3/	8.000000				8.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.361266	0.000000	0.063584	0.063584	0.424850
Next 40	0.336266	0.000000	0.063584	0.063584	0.399850
Next 450	0.072100	0.000000	0.063584	0.063584	0.135684
Over 500	0.047100	0.000000	0.063584	0.063584	0.110684

1/ Customer Charge is \$/month.

2/ Distribution and Commodity Charges are \$/Per Therm.

3/ The above Customer Charge applies to residential and commercial customers (customers) located within the corporate boundaries of Ansley, Broken Bow, Burwell, Loup City, Ord, Ravenna, Sargent, and North Loup and includes a \$2.00 Litigation Cost component for a period of 57 months for Ansley, Broken Bow, Burwell, Loup City, Ord, Ravenna and Sargent customers and 20 months for North Loup customers from commencement of billing of the stated Customer Charge. For all other customers located within Rate Area 7

and for customers in Ansley, Broken Bow, Burwell, Loup City, Ord, Ravenna, Sargent, and North Loup after the expiration of the billing period(s) for the Litigation Cost component stated in the preceding sentence, the applicable Customer Charge shall be \$5.00 for Residential Service and \$6.00 for Commercial Service.

EXHIBIT "D"

MUTUAL RELEASE

THIS MUTUAL RELEASE is made, executed and entered into on this ____ day of _____, 2004, by and among the STATE OF NEBRASKA, acting by and through the Governor's Policy Research Office ("GPRO"), the NEBRASKA PUBLIC SERVICE COMMISSION ("Commission"), an agency of the State of Nebraska, and KINDER MORGAN, INC. ("Kinder Morgan"), a Kansas corporation.

RECITALS

1. The GPRO, Commission and Kinder Morgan are parties to two (2) civil actions pending in the Lancaster County District Court (together, the "GPRO Litigation").
2. The GPRO, Commission and Kinder Morgan have agreed to settle the GPRO Litigation and have entered into a Settlement Agreement with respect thereto.
3. Capitalized terms in this Mutual Release that are not otherwise defined herein shall have the meaning ascribed to them in the Settlement Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein and in said Settlement Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The GPRO and Commission, jointly and severally, hereby fully and completely release Kinder Morgan, and all of its subsidiaries, directors, officers, experts, consultants, employees and agents, from any and all civil claims, causes of action, liabilities, damages, costs and expenses, known or unknown, which currently exist or may hereafter arise, which relate to or arise from the P-0802 Litigation or the GPRO Litigation; provided, however, nothing herein shall alter, modify or negate the obligation of Kinder Morgan to pay the agreed settlement amount to the State of Nebraska pursuant to and subject to the conditions of the Settlement Agreement.
2. Kinder Morgan hereby fully and completely releases the GPRO and Commission, and each of them, the members of the Commission individually, and the employees and agents of the GPRO and Commission, from any and all civil claims, causes of action, liabilities, damages, costs and expenses, known or unknown, which currently exist or may hereafter arise, which relate to or arise from the P-0802 Litigation or the GPRO Litigation, including any claim in a rate application or otherwise for recovery of fees and expenses incurred or paid by Kinder Morgan in connection with the P-0802 Litigation and the GPRO Litigation beyond those

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Recoverable P-0802 Expenses; provided, however, nothing herein shall modify, alter or deny Kinder Morgan's rights under the Settlement Agreement to recover the Reimbursement Amount or the Recoverable P-0802 Expenses.

STATE OF NEBRASKA, acting by and through
The Governor's Policy Research Office

By: _____
Its: _____

NEBRASKA PUBLIC SERVICE COMMISSION

By: _____
Its: _____

KINDER MORGAN, INC.

By: _____
Its: _____

EXHIBIT "E"

Lauren L. Hill, Director
Governor's Policy Research Office
1319 State Capitol
Lincoln, NE 68509

Bud J. Becker, Assistant General Counsel
Kinder Morgan, Inc.
P.O. Box 281304
Lakewood, CO 80127

RE: Completion of verification of Kinder Morgan litigation expenses

Ladies and Gentlemen:

Pursuant to Article IV, Section 3 of the Settlement Agreement dated _____, 2004, by and among the State of Nebraska, acting through the Governor's Policy Research Office, the Nebraska Public Service Commission ("Commission"), and Kinder Morgan, Inc. ("Settlement Agreement"), please be advised that the undersigned has completed the process of reviewing Kinder Morgan records to verify the Recoverable P-0802 Expenses (as that term is defined in the Settlement Agreement) of Kinder Morgan, Inc. The undersigned verifies and certifies that the Commission has found sufficient support to verify that Kinder Morgan, Inc. incurred Recoverable P-0802 Expenses totaling at least \$1,175,000, as set forth in the attached Order of the Commission.

Sincerely,

Andy S. Pollock
Executive Director

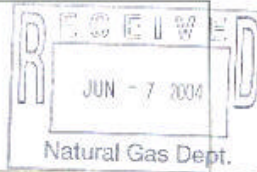
cc: Mark Starr, Assistant Attorney General
Stephen M. Bruckner

SCHEDULE OF RATES AND OTHER CHARGES						
Rate Schedules CGS and ACGS-NSS						
Rate Area 7						
Type of Charge	Non-Gas Base Rate Component	Base Rate Component	Surcharge Rate Component 3/	Gas Cost Total Gas Cost	Total Rate	
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/4/	7.000000				7.000000	
Distribution and Commodity Charges, Based on Usage 2/:						
First 10	0.198511	0.000000	0.071562	0.071562	0.270073	
Next 40	0.173511	0.000000	0.071562	0.071562	0.245073	
Next 450	0.072100	0.000000	0.071562	0.071562	0.143662	
Over 500	0.047100	0.000000	0.071562	0.071562	0.118662	
COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/4/	8.000000				8.000000	
Distribution and Commodity Charges, Based on Usage 2/:						
First 10	0.361266	0.000000	0.071562	0.071562	0.432828	
Next 40	0.336266	0.000000	0.071562	0.071562	0.407828	
Next 450	0.072100	0.000000	0.071562	0.071562	0.143662	
Over 500	0.047100	0.000000	0.071562	0.071562	0.118662	
1/	Customer Charge is \$/month.					
2/	Distribution and Commodity Charges are \$/Per Therm.					
3/	Rate Component Includes:					
	1. Contract P-0802 Charge of \$0.070446 per Therm.					
	2. Other Services Charge of \$0.001370 per Therm.					
	3. Transition-191 Charge of (\$0.000254) per Therm.					
4/	The above Customer Charge applies to residential and commercial customers (customers) located within the corporate boundaries of Ansley, Broken Bow, Burwell, Loup City, Ord, Ravenna, Sargent, and North Loup and includes a \$2.00 Litigation Cost component for a period of 57 months for Ansley, Broken Bow, Burwell, Loup City, Ord, Ravenna and Sargent customers and 20 months for North Loup customers from commencement of billing of the stated Customer Charge. For all other customers located within Rate Area 7 and for customers in Ansley, Broken Bow, Burwell, Loup City, Ord, Ravenna, Sargent, and North Loup after the expiration of the billing period(s) for the Litigation Cost component stated in the preceding sentence, the applicable Customer Charge shall be \$5.00 for Residential Service and \$6.00 for Commercial Service.					

Issued by: Bentley W. Breland, Vice President
 Issued on: June 4, 2004

Effective on: July 15, 2004

SCHEDULE OF RATES AND OTHER CHARGES						
Rate Schedules OGS and AOGS-NSS						
Rate Area 4						
Type of Charge	Non-Gas Base Rate Component	Base Rate Component	Surcharge Rate Component 3/	Gas Cost Total Gas Cost	Total Rate	
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/4/	5.000000				5.000000	
Distribution and Commodity Charges, Based on Usage 2/:						
First 10	0.248437	0.000000	0.071562	0.071562	0.319999	
Next 40	0.223437	0.000000	0.071562	0.071562	0.294999	
Next 450	0.074522	0.000000	0.071562	0.071562	0.146484	
Over 500	0.049922	0.000000	0.071562	0.071562	0.121484	
COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/4/	6.000000				6.000000	
Distribution and Commodity Charges, Based on Usage 2/:						
First 10	0.411245	0.000000	0.071562	0.071562	0.482807	
Next 40	0.386245	0.000000	0.071562	0.071562	0.457807	
Next 450	0.074922	0.000000	0.071562	0.071562	0.146484	
Over 500	0.049922	0.000000	0.071562	0.071562	0.121484	
1/	Customer Charge is \$/month.					
2/	Distribution and Commodity Charges are \$/Per Therm.					
3/	Rate Component Includes:					
	1. Contract P-0802 Charge of \$0.070446 per Therm.					
	2. Other Services Charge of \$0.001370 per Therm.					
	3. Transition-191 Charge of (\$0.000254) per Therm.					
4/	The above Customer Charge applies to residential and commercial customers (customers) located within the corporate boundaries of Chappell, Gurley, Kimball, and Sidney and includes a \$2.00 Litigation Cost component for a period of 57 months from commencement of billing of the stated Customer Charge. For all other customers located within Rate Area 4 and for customers in Chappell, Gurley, Kimball, and Sidney after the expiration of the billing period(s) for the Litigation Cost component stated in the preceding sentence, the applicable Customer Charge shall be \$3.00 for Residential Service and \$4.00 for Commercial Service.					

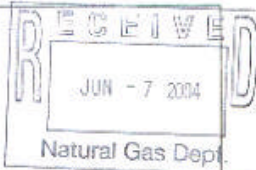


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SCHEDULE OF RATES AND OTHER CHARGES

Rate Schedules CGS and ACUS-NSS



Rate Area 3

	Gas Cost			Residential Gas Cost	
	Non-Gas Base Rate Component	Base Rate Component	Surcharge Rate Component 3/	Total Gas Cost	Total Rate
Type of Charge					
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge					
Customer Charge 1/4/	5.000000				5.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.274783	0.000000	0.071562	0.071562	0.346345
Next 40	0.249783	0.000000	0.071562	0.071562	0.321345
Next 450	0.092986	0.000000	0.071562	0.071562	0.164548
Over 500	0.067986	0.000000	0.071562	0.071562	0.139548
COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge					
Customer Charge 1/4/	6.000000				6.000000
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 10	0.438900	0.000000	0.071562	0.071562	0.510462
Next 40	0.413900	0.000000	0.071562	0.071562	0.485462
Next 450	0.092986	0.000000	0.071562	0.071562	0.164548
Over 500	0.067986	0.000000	0.071562	0.071562	0.139548

- 1/ Customer Charge is \$/month.
- 2/ Distribution and Commodity Charges are \$/Per Therm.
- 3/ Rate Component Includes:
 1. Contract P-0802 Charge of \$0.070446 per Therm.
 2. Other Services Charge of \$0.001370 per Therm.
 3. Transition-191 Charge of (\$0.000254) per Therm.
- 4/ The above Customer Charge applies to residential and commercial customers (customers) located within the corporate boundaries of Chadron, Gordon, and Hemingford and includes a \$2.00 Litigation Cost component for a period of 57 months from commencement of billing of the stated Customer Charge. For all other customers located within Rate Area 3 and for customers in Chadron, Gordon, and Hemingford after the expiration of the billing period(s) for the Litigation Cost component stated in the preceding sentence, the applicable Customer Charge shall be \$3.00 for Residential Service and \$4.00 for Commercial Service.

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SCHEDULE OF RATES AND OTHER CHARGES						
Rate Schedules CGS and ACGS-NSS						
Rate Area 2						
Type of Charge	Non-Gas Base Rate Component	Base Rate Component	Surcharge Rate Component 3/	Gas Cost Total Gas Cost	Total Rate	
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/4/	5.000000				5.000000	
Distribution and Commodity Charges, Based on Usage 2/:						
First 10	0.255845	0.000000	0.071562	0.071562	0.327407	
Next 40	0.230845	0.000000	0.071562	0.071562	0.302407	
Next 450	0.081457	0.000000	0.071562	0.071562	0.153019	
Over 500	0.056457	0.000000	0.071562	0.071562	0.128019	
COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/4/	6.000000				6.000000	
Distribution and Commodity Charges, Based on Usage 2/:						
First 10	0.415263	0.000000	0.071562	0.071562	0.486825	
Next 40	0.390263	0.000000	0.071562	0.071562	0.461825	
Next 450	0.081457	0.000000	0.071562	0.071562	0.153019	
Over 500	0.056457	0.000000	0.071562	0.071562	0.128019	
1/	Customer Charge is \$/month.					
2/	Distribution and Commodity Charges are \$/Per Therm.					
3/	Rate Component Includes:					
	1. Contract E-0802 Charge of \$0.070446 per Therm.					
	2. Other Services Charge of \$0.001370 per Therm.					
	3. Transition 191 Charge of (\$0.000254) per Therm.					
4/	The above Customer Charge applies to residential and commercial customers (customers) located within the corporate boundaries of Alliance, Oshkosh and Broadwater and includes a \$2.00 Litigation Cost component for a period of 57 months for Alliance and Oshkosh customers and 20 months for Broadwater customers from commencement of billing of the stated Customer Charge. For all other customers located within Rate Area 2 and for customers in Alliance, Oshkosh and Broadwater after the expiration of the billing period(s) for the Litigation Cost component stated in the preceding sentence, the applicable Customer Charge shall be \$3.00 for Residential Service and \$4.00 for Commercial Service.					

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